

LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA

BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION SCHEDULES

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012



Executive Director

Steve Young

Board Members

Vivian L. Glaze
Taquilla Hamilton
Michael Horning
Geneva Jones
Sarah Kennison
Carolyn Robicheaux
Ira Weber

LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
BASIC FINANCIAL STATEMENTS
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AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page No.</u>
BASIC FINANCIAL STATEMENTS	
Independent Auditors' Report.....	1
Required Supplemental Information (Part 1 of 2)	
Management's Discussion and Analysis.....	4
Basic Financial Statements	
Statement of Net Assets	9
Statement of Revenues, Expenses and Changes in Fund Net Assets.....	10
Statement of Cash Flows.....	11
Notes to Financial Statements	
Index.....	14
Notes	15
Required Supplemental Information (Part 2 of 2)	
Budgetary Comparison Schedule.....	25
SUPPLEMENTAL SCHEDULES AND INFORMATION	
Schedule of Per Diem Paid to Board Members	27
Report on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28
Schedule of Findings and Responses	30
Summary Schedule of Prior Year Findings	31
OTHER REQUIRED SUPPLEMENTAL INFORMATION	
Louisiana's Comprehensive Annual Financial Report	33

BASIC FINANCIAL STATEMENTS

MARY SUE STAGES, CPA
A PROFESSIONAL ACCOUNTING CORPORATION

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Louisiana Society of Certified Public Accountants
American Institute of Certified Public Accountants
Association of Governmental Accountants
Governmental Audit Quality Control Center

INDEPENDENT AUDITORS' REPORT

Board Members of the
Louisiana State Board of Cosmetology
11622 Sunbelt Court
Baton Rouge, Louisiana 70809

We have audited the accompanying business-type activities of the Louisiana State Board of Cosmetology, a component unit of the State of Louisiana, as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Louisiana State Board of Cosmetology's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Louisiana State Board of Cosmetology as of June 30, 2012, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplemental information, as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This required supplemental information is the responsibility of the Louisiana State Board of Cosmetology's management. It has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2012, on our consideration of the Louisiana State Board of Cosmetology's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying supplemental information listed in the table of contents under Supplemental Schedules and Information and Other Required Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Sue Stages, CPA". The signature is written in a cursive, flowing style.

Mary Sue Stages, CPA
A Professional Accounting Corporation
Baker, Louisiana
August 2, 2012

REQUIRED SUPPLEMENTAL INFORMATION
(PART 1 OF 2)

**LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

The purpose of this section is to offer a narrative overview and analysis of the Louisiana State Board of Cosmetology's (hereafter referred to as the Board) financial performance during the year ended June 30, 2012. This document focuses on the current year activities, resulting changes and currently known facts. It should be read in conjunction with the financial report taken as a whole.

Highlights of the Board as a Whole

- ◆ Assets exceeded liabilities at June 30, 2012 by \$957,451
- ◆ Activities of the Board during the year resulted in an operating income of \$31,070
- ◆ The Board has no long-term obligations other than employee-related benefits

Overview of the Financial Statement Presentation

The financial statements are comprised of these components – (1) management's discussion and analysis, (2) basic financial statements, (3) notes to the financial statements and (4) required supplemental information. There is also other supplemental schedules and information contained in this report provided for additional information to assist the user.

Basic Financial Statements. The basic financial statements present information for the Board as a whole. Statements in this section include the following:

Statement of Net Assets. This statement presents information on all of the Board's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Board is improving or not.

Statement of Revenues, Expenses and Changes in Fund Net Assets. This statement presents information showing how the Board's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement is designed to show the Board's financial reliance on general revenues.

Statement of Cash Flows. The change in cash as a result of current year operations is depicted in this statement. The cash flow statement includes a reconciliation of operating income (loss) to the net cash provided by or used for operating activities as required by GASB No. 34.

The basic financial statements can be found on pages 9-12 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The index of the notes is found on page 14 with the actual notes beginning immediately afterwards.

**LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Required Supplemental Information. As a component unit of the State of Louisiana, the Board complies with the reporting requirements of the Division of Administration, Office of Statewide Reporting and Accounting. The Louisiana Comprehensive Annual Financial Report included as other required supplemental information, is completed with information relative to the Board.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain other information that is deemed useful to readers of this report.

Financial Analysis of the Board

Net assets are an indicator of the Board's financial position from year to year. A summary of net assets follows.

SUMMARY OF NET ASSETS

	<u>2012</u>	<u>2011</u>
Assets		
Current assets	\$ 1,916,278.58	\$ 1,775,537.34
Non-current assets	<u>226,978.04</u>	<u>234,355.52</u>
 Total Assets	 2,143,256.62	 2,009,892.86
 Liabilities		
Current liabilities	109,139.04	79,056.61
Non-current liabilities	<u>1,076,666.54</u>	<u>1,004,405.34</u>
 Total Liabilities	 1,185,805.58	 1,083,461.95
 Net Assets		
Invested in General Fixed Assets	226,978.04	234,355.52
Unrestricted	<u>730,473.00</u>	<u>692,075.39</u>
 Total Net Assets	 <u>957,451.04</u>	 <u>926,430.91</u>

Net assets increased by \$31,020.13 from June 30, 2011 to June 30, 2012. This includes an operating income of \$31,070.13 and an adjustment to prior periods of \$50. The adjustment recognizes checks voided in the current year that were written in prior years.

**LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

A summary of changes in net assets is as follows:

SUMMARY OF CHANGES IN NET ASSETS

	<u>2012</u>	<u>2011</u>
Operating Revenues	\$ 1,957,230.43	\$ 1,826,627.00
Operating Expenses	<u>(1,926,160.30)</u>	<u>(1,984,696.00)</u>
Operating Income	<u>31,070.13</u>	<u>(158,069.00)</u>

Revenues increased by \$130,603 or 7%. This increase includes a 4% increase in licenses for individuals, shops and schools. The most significant increase, however, was in fines and assessments for non-compliance. Expenses decreased by \$58,536 or 3% of the prior year's expenses. The increase in revenues and decrease in expenses allowed for a operating income in the current year as opposed to a loss in the prior year.

Budgetary Highlights

The original and final budgets are presented in the accompanying required supplemental information. There were no amendments during the year.

Operating revenues were greater than anticipated by \$362,230 or 24%. The largest portion of this positive variance is due to enforcement actions by the Board.

Expenses were \$144,979 or 7% less than budgeted amounts. The most significant variances in this category was capital acquisitions budgeted at \$95,000. There were no capital expenditures, and depreciation of existing assets was only \$7,377. The other positive variance was in the category of salaries and related benefits. The Board budgeted \$1,457,339 while the actual expenses totaled only \$1,382,486.

A budget to actual comparison is provided in supplemental information on page 25.

**LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Capital Asset and Debt Administration

Capital Assets: The Board's investment in capital assets, net of accumulated depreciation, at June 30, 2012, was \$226,978. All assets are properly recorded with the State of Louisiana and a detailed list is maintained.

Capital assets include land of \$165,000 and an office building recorded at \$163,149. The land and office building were purchased in 1985. Remaining assets consists of office furniture and equipment maintained by the Board for operations.

Debt Administration: Long-term debt of the Board includes compensated absences at amounts of \$82,676 and \$82,613 at June 30, 2012 and 2011, respectively. This represents that portion of annual leave earned by employees but not yet taken at year-end.

Amounts of \$993,991 at June 30, 2012 and \$921,792 at June 30, 2011 are also recorded for retiree benefits including health and life insurance. This is an actuarial estimate of the amount that would be due for post-employment benefits for existing employees, assuming that all remain with the Board through retirement age. Additional information on this obligation can be found in the notes to the financial statements.

Request for Information

This financial report is designed to provide a general overview of the Board's finances, comply with finance-related laws and regulations and demonstrate the Board's commitment to public accountability. Any questions or requests for additional information can be obtained by contacting Mr. Steve Young, Executive Director, at 11622 Sunbelt Court, Baton Rouge, Louisiana 70809 or 225-756-3404.

BASIC FINANCIAL STATEMENTS

**LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	<u>Business-type Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,916,078.58
Accounts receivable	200.00
Total Current Assets	<u>1,916,278.58</u>
Non-Current Assets	
Land	165,000.00
Machinery/equipment, net of accumulated depreciation	61,978.04
Total Non-Current Assets	<u>226,978.04</u>
Total Assets	2,143,256.62
LIABILITIES	
Current Liabilities	
Accounts payable	39,613.94
Payroll withholdings and related payables	50,105.42
Accrued salaries	19,419.68
Total Current Liabilities	<u>109,139.04</u>
Non-Current Liabilities	
Compensated absences payable	82,675.98
Other post-employment benefits plan payable	993,990.56
Total Non-Current Liabilities	<u>1,076,666.54</u>
Total Liabilities	1,185,805.58
NET ASSETS	
Invested in general fixed assets, net of related debt	226,978.04
Unrestricted, undesignated	730,473.00
Total Net Assets	<u><u>957,451.04</u></u>

See Accompanying Notes and Independent Auditors' Report

**LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2012**

	<u>Business-type Activities</u>
<u>OPERATING REVENUES</u>	
Licenses and other fees	\$ 1,698,486.07
Fines	<u>258,744.36</u>
Total Operating Revenues	1,957,230.43
<u>OPERATING EXPENSES</u>	
Salaries and related benefits	1,382,486.31
Meetings, conferences and travel	145,955.97
Professional services	157,085.76
General and administrative	233,254.78
Depreciation	<u>7,377.48</u>
Total Operating Expenses	<u>1,926,160.30</u>
Operating Income	31,070.13
Total Net Assets, beginning	926,430.91
Prior period adjustment - voided checks	<u>(50.00)</u>
Total Net Assets, ending	<u><u>957,451.04</u></u>

See Accompanying Notes and Independent Auditors' Report

**LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012**

	<u>Business-type Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,956,980.43
Cash paid to suppliers for goods/services	(528,438.38)
Cash paid to employees for services	<u>(1,288,000.81)</u>
Net Cash Provided by Operating Activities	140,541.24
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>
Net Increase in Cash and Cash Equivalents	140,541.24
Cash and Cash Equivalents, beginning of year	<u>1,775,537.34</u>
Cash and Cash Equivalents, end of year	<u><u>1,916,078.58</u></u>

Continued

LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
STATEMENT OF CASH FLOWS (Continued)
YEAR ENDED JUNE 30, 2012

	Business-Type <u>Activities</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 31,070.13
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	7,377.48
(Increase) decrease in assets:	
Accounts receivable	(200.00)
Increase (decrease) in liabilities:	
Accounts payable	7,808.13
Payroll withholdings and related payables	17,958.62
Accrued salaries	4,265.68
Compensated absences payable	63.08
Other post-employment benefits plan payable	72,198.12
Net Cash Provided by Operating Activities	<u><u>140,541.24</u></u>

See Accompanying Notes and Independent Auditors' Report

NOTES TO FINANCIAL STATEMENTS

**LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
INDEX TO NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

<u>Note No.</u>	<u>Description</u>	<u>Page No.</u>
	Introduction.....	15
1	Summary of Significant Accounting Policies.....	15
2	Cash and Cash Equivalents.....	18
3	Capital Assets.....	18
4	Leave.....	19
5	Retirement System	19
6	Post Retirement Health Care and Life Insurance Benefits	20
7	Leases.....	22
8	Long-Term Liabilities	23
9	Related Party Transactions.....	23
10	Litigation.....	23
11	Subsequent Events	23

LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

INTRODUCTION

The Louisiana State Board of Cosmetology is a component unit of the State of Louisiana. It was created by the Louisiana Legislature under the provisions of Louisiana Revised Statute 37:751 and is domiciled in East Baton Rouge Parish. The Board serves as a statewide authority to control and regulate the practice of cosmetology in the State of Louisiana. Operations are funded through self-generated revenues.

The Board is composed of 8 members that are appointed by the Governor of the State of Louisiana and serve at his/her pleasure. Subject to Senate confirmation, the Board is made up of at least one registered cosmetologist of each congressional district that has been actively engaged in the practice of cosmetology, an beauty shop/salon owner or teacher/instructor of cosmetology for at least 5 years prior to his/her appointment. Board members, as authorized by Louisiana Administrative Code 46:317(C), may receive a per diem of not more than \$100 per meeting or day spent on Board business in addition to actual expense reimbursement to attend meetings or conduct board-approved business.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting practice of the Louisiana State Board of Cosmetology conforms to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513 and to the guides set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity: Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the Board is considered a component unit of the State of Louisiana because the State exercises oversight responsibility in that the Governor appoints the board members and public service is rendered within the State's boundaries. The accompanying financial statements present only the transactions of the Louisiana State Board of Cosmetology.

Fund Accounting: The Board uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

A fund is a separate entity with a self-balancing set of accounts. Funds of the Board are classified under one category: proprietary. This category, in turn, is further divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Proprietary Funds – account for activities that are similar to activities found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds of the Board include the following fund types:

1. Enterprise – account for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Basis of Accounting/Measurement Focus: In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles and are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy.

Basis of accounting refers to when revenues and expenses are recognized and reported and relates to the time of the measurement, regardless of the measurement focus applied. The basic financial statements of the Board are reported using an economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of business-type activities are included in the statement of net assets. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred. In these statements, capital assets are reported and depreciated in each fund, and long-term debt is reported.

Operating/Non-Operating Revenues: Proprietary funds separately report operating and non-operating revenues. Revenues from transactions of the Board's licensing activities are considered operating revenues. All other revenues, which are reported as cash flows from capital or non-capital financing and investing, are reported as non-operating revenues.

Budgets and Budgetary Accounting: Subject to the Louisiana Licensing Agency Budget Act established by Louisiana Revised Statutes 39:1331-1342, the Board adopts an annual budget prepared in accordance with the basis of accounting utilized by that fund. The Board must approve any revisions that alter the total expenditures. Although budget amounts lapse at year-end, the Board retains its unexpended net assets to fund expenditures of the succeeding year.

LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Cash and Cash Equivalents: Cash and cash equivalents include amounts in demand deposits. Under state law, the Board may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Investments: Investments are limited by Louisiana Revised Statute 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments. Otherwise, the investments are classified as cash and cash equivalents. In accordance with GASB Statement No. 31, investments are recorded at fair value with the corresponding increase or decrease reported in investment earnings. The Board did not have any investments at year-end.

Inventory: Inventory of the Board includes only office supplies and printed materials, the amount of which is considered immaterial. Therefore, the acquisition of these items is expensed when purchased, and the inventory on hand at year-end is not reported in the accompanying financial statements.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets: The Board's assets are recorded at historical cost if purchased or constructed. Assets acquired through contributions are capitalized at their estimated fair market value. Depreciation is recorded using the straight-line method over the useful lives of the assets. Generally, the Board includes all capital acquisitions with a cost of \$5,000 in its fixed asset inventory. However, certain items at a cost below that amount may be capitalized if benefits of the item will extend beyond one year and/or the Board wants to monitor the item.

Compensated Absences: Employees of the Board have accumulated and vested \$82,675.98 of employee leave benefits at June 30, 2012. This was computed in accordance with GASB Codification Section C60.150. The computation utilizes the most recent hourly rate of pay for each employee.

Net Assets: In the statement of net assets, the difference between a government's assets and liabilities is recorded as net assets. The three components of net assets is as follows:

Invested in Capital Assets, Net of Related Debt

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Restricted Net Assets

Net assets reserved by external sources such as banks or by law are reported separately as restricted net assets. When assets are required to be retained in perpetuity, the non-expendable net assets are recorded separately from expendable net assets. These are components of restricted net assets.

Unrestricted Net Assets

This category represents net assets not appropriable for expenditures or legally segregated for a specific future use. Restricted resources are exhausted before unrestricted net assets are used.

NOTE 2 – CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30, 2012:

	<u>Book Balance</u>	<u>Bank Balance</u>
Demand deposits	\$ <u>1,916,078.58</u>	\$ <u>1,943,121.37</u>

These deposits are stated at cost, which approximates market. Under state law, they must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding, or custodial bank that is mutually acceptable to both parties.

With the adoption of GASB Statement No. 40, only deposits that are considered exposed to custodial credit risk are required to be disclosed. The Board does not have any deposits that fall within this category. Deposits of the Board are secured with insurance through FDIC. In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act, non-interest bearing accounts are fully insured regardless of the balance. This protection will expire on December 31, 2012, at which time the bank will be required to collateralize the Board's cash balances in excess of \$250,000.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated				
Land	\$ 165,000.00	\$.00	\$.00	\$ 165,000.00

LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Capital Assets, being depreciated				
Building	\$ 163,149.00	\$.00	\$.00	\$ 163,149.00
Less: accumulated depreciation	<u>93,793.48</u>	<u>7,377.48</u>	<u>.00</u>	<u>101,170.96</u>
Net Furniture	69,355.52	(7,377.48)	.00	61,978.04
 Machinery/equipment	58,997.08	.00	15,000.00	43,997.08
Less: accumulated depreciation	<u>58,997.08</u>	<u>.00</u>	<u>15,000.00</u>	<u>43,997.08</u>
Net Machinery/Equipment	.00	.00	.00	.00
 Capital Assets, being depreciated	<u>69,355.52</u>	<u>(7,377.48)</u>	<u>.00</u>	<u>61,978.04</u>
 Capital Assets, net	<u>234,355.52</u>	<u>(7,377.48)</u>	<u>.00</u>	<u>226,978.04</u>

NOTE 4 – LEAVE

Annual and Sick Leave. The Board's employees earn and accumulate annual and sick leave at varying rates depending on their years of full-time service and are credited at the end of each month of regular service. Accumulated leave is carried forward to succeeding years without limitation. Requests for leave must be made to and approved by the Director. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits. The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as current year expenditures when leave is earned.

Only annual leave is accrued in the accompanying statement of net assets, the amount unpaid at June 30, 2012, being \$82,675.98.

Compensatory Leave. Non-exempt employees, according to the guidelines contained in the Fair Labors Standards Act, may be paid for compensatory leave earned. Upon termination or transfer, an employee is paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. This pay is based on the employee's hourly rate of pay at the time of termination or transfer. Compensatory leave time has not been recorded in the accompanying financial statements.

NOTE 5 – RETIREMENT SYSTEM

Substantially all of the employees of the Board are members of the Louisiana State Employees Retirement System (System), a cost sharing multiple-employer, defined benefit pension plan. The System is a statewide public retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time employees are eligible to participate. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to 2.5% of their highest consecutive 36

**LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

months' average salary multiplied by their years of credited service plus \$300 for employees hired before July 31, 1986. Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service or (c) age 60 with 10 years of service. An option of reduced benefits at any age with 20 years of service is available. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual financial report that is available to the public including financial statements and required supplementary information of the System. That report may be obtained by contacting the Louisiana State Employees Retirement System, P. O. Box 44213, Baton Rouge, La. 70804-4213, 225-922-0605 or 800-256-3000.

Covered employees are required to contribute 7.5% of gross salary to the plan, and the Board is required to contribute at an actuarially determined rate as required by Louisiana R.S. 11:102. That rate for the year ended June 30, 2012 was 25.6%. Contributions to the System for the years ended June 30, 2012, 2011 and 2010, were \$198,281, \$172,268 and \$133,515, respectively, equal to the required contributions for each year.

NOTE 6 – POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Board may provide certain continuing health care and life insurance benefits for its retired employees through the Louisiana Office of Group Benefits. Substantially all of the Board's employees become eligible for those benefits if they reach normal retirement age while working for the Board and were covered by the Board's active medical plan immediately prior to retirement. Those benefits include joint payment of monthly premiums for the coverage provided.

Plan Description. The State of Louisiana's Other Post-Employment Benefit Plan (OPEB Plan) is an agent multiple-employer plan administered by the Louisiana Office of Group Benefits (OGB). There are three plans available to eligible retirees for health care – OGB Preferred Provider Organization (PPO), Humana Health Maintenance Organization (HMO) and United Exclusive Provider Organization (EPO). Participants eligible for Medicare coverage can choose one of two OGB Medicare Advantage Plans, either an HMO or private fee-for-service (PFFS) plan. Life insurance benefits include basic term life, basic plus supplemental term life, dependent term life and employee accidental death and dismemberment coverage. The policy is underwritten by The Prudential Insurance Company of America.

LRS 42:801-883 provides for the authority under which benefit provisions are established and may be amended. The OGB does not issue a stand-alone report; however, it is included in the Louisiana Comprehensive Annual Financial Report (CAFR). The CAFR may be obtained from Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap, writing to P. O. Box 94095, Baton Rouge, LA 70804-9095 or by calling 225-342-0708.

Funding Policy. LRS 42:801-883 provides for the authority under which the obligations of the plan members and the system are established and may be amended. For employees hired prior to January 1, 2002, the cost of coverage is shared 25% by the participant and 75% by the Board with the

LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

exception of single retirees under age 65. He/she must pay 25% of the active employee cost. Employees hired on or after January 1, 2002, pay a percentage of the total contribution rate based on his/her years of service at retirement (0-9 yrs. – 81%; 10-14 yrs. – 62%; 15-19 yrs. – 44%; 20+ yrs. – 25%). A lifetime maximum for healthcare benefits is set at \$5,000,000 for the PPO, HMO and EPO plans. The retiree must pay 50% of the life insurance premiums for him or her and 88% for his/her spouse. Maximum coverage is capped at \$50,000.

Premiums paid for healthcare coverage vary depending on the plan chosen. For the year ended June 30, 2012, this amount ranges from \$315 to \$341 per month for single members with Medicare or \$969 to \$1,049 per month without Medicare.

Premiums paid for retiree and spouse range from \$1,164 to \$1,261 per month for those with Medicare or \$1,710 to \$1,853 per month for those without Medicare. The rates for retirees with children are slightly higher than the single rates and family coverage is slightly higher than the retiree/spouse rates. The plan is currently financed on a pay-as-you-go basis by the Board.

OPEB Cost/Obligation. The Board's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used.

The total ARC for the year beginning July 1, 2010, is as follows:

Normal cost	\$ 73,000
30 year UAL amortization amount	<u>66,800</u>
Annual Required Contribution (ARC)	<u>139,800</u>

The Board's OPEB obligation for the year ended June 30, 2012, is as follows:

Annual required contribution/OPEB Cost	\$ 139,800
Interest on NOO	36,868
ARC adjustment	<u>(35,200)</u>
Annual OPEB Expense	141,468
Contributions made	<u>(69,270)</u>
Change in Net OPEB Obligation	72,198
Net OPEB obligation, beginning	<u>921,792</u>
Net OPEB obligation, ending	<u>993,991</u>

LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Funding Status and Funding Progress. As of June 30, 2012, the Board had not made any contributions to its post-employment benefits plan trust. A trust was previously established but has not been funded. Thus, it has no plan assets and a funding ratio of zero. Funding status and progress is summarized below.

Unfunded actuarial accrued liability (UAAL)	\$ 993,991
Covered payroll (active employees)	698,800
UAAL as a percentage of covered payroll	142%

Actuarial Methods/Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and initial annual healthcare cost trend rate of 8.5% and 10.75% for pre-Medicare and Medicare eligible scaling down to ultimate rates of 5% per year. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on an open basis. The amortization period is thirty years, the maximum allowed by GASB 45.

NOTE 7 – LEASES

Operating Leases. The Board has no operating leases.

Capital Leases. The Board has no capital leases.

**LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 8 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated absences	\$ 82,612.90	\$ 63.00	\$.00	\$ 82,675.98	\$ 0.00
Other post- employment benefits plan	921,792.44	72,198.12	.00	993,990.56	.00
Total	<u>1,004,405.34</u>	<u>72,761.12</u>	<u>.00</u>	<u>1,076,666.54</u>	<u>.00</u>

NOTE 9– RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

NOTE 10 – LITIGATION

There is currently one assessment made against a licensee that is being appealed. The only exposure anticipated is attorney fees.

NOTE 11 – SUBSEQUENT EVENTS

There were no events between the close of the year through issuance of this report that would materially impact these financial statements.

REQUIRED SUPPLEMENTAL INFORMATION
(PART 2 OF 2)

LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u>
	<u>Original</u>	<u>Final</u>	<u>Basis)</u>	<u>(Negative)</u>
<u>OPERATING REVENUES</u>				
Licenses and other fees	\$ 1,525,000	\$ 1,525,000	\$ 1,698,486	\$ 173,486
Fines	70,000	70,000	258,744	188,744
Total Operating Revenues	1,595,000	1,595,000	1,957,230	362,230
<u>OPERATING EXPENSES</u>				
Salaries and related benefits	1,457,339	1,457,339	1,382,486	74,853
Meetings, conferences and travel	135,000	135,000	145,956	(10,956)
Professional services	140,000	140,000	157,086	(17,086)
General and administrative	243,800	243,800	233,255	10,545
Depreciation	95,000	95,000	7,377	87,623
Total Operating Expenses	2,071,139	2,071,139	1,926,160	144,979
Operating Income (Loss)	(476,139)	(476,139)	31,070	507,209
Net Assets, beginning, restated	926,381	926,381	926,381	-
Net Assets, ending	450,242	450,242	957,451	507,209

See Independent Auditors' Report

SUPPLEMENTAL SCHEDULES AND INFORMATION

**LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
JUNE 30, 2012**

In compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, this schedule of per diem paid to board members is presented for the year ended June 30, 2012.

<u>Name</u>	<u>Amount</u>
Vivian L. Glaze	\$ 2,588
Taquilla Hamilton	9,450
Michael Horning	9,355
Geneva Jones	2,136
Sarah Kennison	1,471
Carolyn Robicheaux	5,300
Ira Weber	<u>1,690</u>
Total	<u>31,990</u>

See Independent Auditors' Report

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Louisiana Society of Certified Public Accountants
American Institute of Certified Public Accountants
Association of Governmental Accountants
Governmental Audit Quality Control Center

**REPORT ON COMPLIANCE AND OTHER MATTERS AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board Members of the
Louisiana State Board of Cosmetology
11622 Sunbelt Court
Baton Rouge, Louisiana 70809

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the Louisiana State Board of Cosmetology, a component unit of the State of Louisiana, which collectively comprise the basic financial statements as listed in the table of contents, as of and for the year ended June 30, 2012, and have issued our report thereon dated August 2, 2012. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana State Board of Cosmetology's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

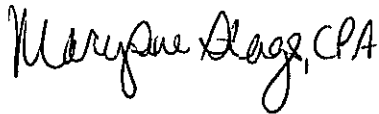
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana State Board of Cosmetology's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana State Board of Cosmetology's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Louisiana State Board of Cosmetology's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management and Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, the Legislative Auditor distributes this report as a public document.



Mary Sue Stages, CPA
A Professional Accounting Corporation
Baker, Louisiana
August 2, 2012

**LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012**

We have audited the financial statements of the Louisiana State Board of Cosmetology as of and for the year ended June 30, 2012, and have issued our report thereon dated August 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2012, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

1. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control	Material Weakness	<input type="checkbox"/> No
	Control Deficiency(ies)	<input type="checkbox"/> No
Compliance	Compliance Material to F/S	<input type="checkbox"/> No
	Control Deficiency(ies)	<input type="checkbox"/> No

2. Federal Awards

N/A

Section II Financial Statement Findings

None

Section III Federal Award Findings and Questioned Costs

N/A

**LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2012**

Section I Internal Control and Compliance Material to the Financial Statements

N/A

Section II Internal Control and Compliance Material to Federal Awards

N/A

Section III Management Letter

N/A

OTHER REQUIRED SUPPLEMENTAL INFORMATION

**LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
JUNE 30, 2012**

LOUISIANA'S COMPREHENSIVE ANNUAL FINANCIAL REPORT

As a component unit of the State of Louisiana, the financial statements of the Louisiana State Board of Cosmetology are included in Louisiana's Comprehensive Annual Financial Report. Following are the statements, prepared by the Louisiana State Board of Cosmetology, being submitted to the Division of Administration for reporting purposes. The amounts recorded have been subjected to the same auditing procedures as those recorded in the accompanying financial statements.

LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
Annual Financial Statements
June 30, 2012

C O N T E N T S

Statements

Accountant's Compilation Report	
Management's Discussion and Analysis (MD&A)	i
Balance Sheet	A
Statement of Revenues, Expenses, and Changes in Fund Net Assets	B
Statement of Activities	C
Statement of Cash Flows	D
Notes to the Financial Statements	
A. Summary of Significant Accounting Policies	1
B. Budgetary Accounting	2
C. Deposits with Financial Institutions and Investments	2
D. Capital Assets – Including Capital Lease Assets	6
E. Inventories	8
F. Restricted Assets	8
G. Leave	8
H. Retirement System	8
I. Other Postemployment Benefits	9
J. Leases	10
K. Long-Term Liabilities	11
L. Contingent Liabilities	11
M. Related Party Transactions	11
N. Accounting Changes	11
O. In-Kind Contributions	11
P. Defeased Issues	11
Q. Revenues or Receivables – Pledged or Sold (GASB 48)	12
R. Government-Mandated Non-exchange Transactions (Grants)	12
S. Violations of Finance-Related Legal or Contractual Provisions	12
T. Short-Term Debt	12
U. Disaggregation of Receivable Balances	12
V. Disaggregation of Payable Balances	12
W. Subsequent Events	13

LOUISIANA STATE BOARD OF COSMETOLOGY
STATE OF LOUISIANA
Annual Financial Statements
June 30, 2012

C O N T E N T S

X.	Segment Information	13
Y.	Due to/Due from and Transfers	13
Z.	Liabilities Payable from Restricted Assets	13
AA.	Prior-Year Restatement of Net Assets	13
BB.	Net Assets Restricted by Enabling Legislation	13
CC.	Impairment of Capital Assets	13
DD.	Employee Termination Benefits	13
EE.	Pollution Remediation Obligations	14
FF.	American Recovery and Reinvestment Act (ARRA)	14
GG.	Restricted Net Assets - Other Specific Purposes	14
Schedules		
1	Schedule of Per Diem Paid to Board Members	
15	Schedule of Comparison Figures and Instructions	

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MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Louisiana State Board of Cosmetology
Baton Rouge, Louisiana

I have compiled the balance sheet of the Louisiana State Board of Cosmetology as of June 30, 2012, and the related statements of revenues, expenses, and changes in fund net assets, activities, and cash flows for the year then ended included in the accompanying prescribed form. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the form prescribed by the State of Louisiana, Division of Administration, Office of Statewide Reporting and Accounting Policy.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with requirements prescribed by the State of Louisiana, Division of Administration, Office of Statewide Reporting and Accounting Policy and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

These financial statements (including related disclosures) are presented in accordance with the requirements of the State of Louisiana, Division of Administration, Office of Statewide Reporting and Accounting Policy, which differ from accounting principles generally accepted in the United States of America. This report is intended solely for the information and use of the State of Louisiana, Division of Administration, Office of Statewide Reporting and Accounting Policy and is not intended to be and should not be used by anyone other than this specified party.



Roy Hebert, CPA

July 28, 2012

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012**

Management's Discussion and Analysis of the Louisiana State Board of Cosmetology's financial performance presents a narrative overview and analysis of the Louisiana State Board of Cosmetology's financial activities for the year ended June 30, 2012. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Louisiana State Board of Cosmetology's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- ★ The Louisiana State Board of Cosmetology's assets exceeded its liabilities at the close of fiscal year 2012 by \$957,451, which represents a 3.35% increase from last fiscal year. The net assets increased by \$31,070.
- ★ The Louisiana State Board of Cosmetology's revenue increased \$130,553 (or 7.14%) and the net results from activities increased by \$189,089.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information
(other than MD&A)

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the Basic Financial Statements (including the notes to the financial statements), and Required Supplementary Information.

Basic Financial Statements

The basic financial statements present information for the Louisiana State Board of Cosmetology as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012**

The Balance Sheet (page 9) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Louisiana State Board of Cosmetology is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 10) presents information showing how Louisiana State Board of Cosmetology's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (pages 11-12) presents information showing how Louisiana State Board of Cosmetology's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income(loss) to net cash provided(used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
as of June 30, 2012
(in thousands)

	Total	
	2012	2011
Current and other assets	\$ 1,916,279	\$ 1,775,487
Capital assets	226,978	234,356
Total assets	2,143,257	2,009,843
Other liabilities	109,139	79,057
Long-term debt outstanding	1,076,667	1,004,405
Total liabilities	1,185,806	1,083,462
Net assets:		
Invested in capital assets, net of debt	226,978	234,356
Restricted		
Unrestricted	730,473	692,025
Total net assets	\$ 957,451	\$ 926,381

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on how these amounts may be spent.

Net assets of the Louisiana State Board of Cosmetology increased by \$31,070, or 3.35%, from June 30, 2011 to June 30, 2012.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012

Statement of Revenues, Expenses, and Changes in Fund Net Assets
for the years ended June 30, 2012
(in thousands)

	Total	
	2012	2011
Operating revenues	\$ 1,957,230	\$ 1,826,627
Operating expenses	1,926,160	1,984,696
Operating income(loss)	31,070	(158,069)
Non-operating revenues		
Non-operating expenses *		
Income(loss) before transfers	31,070	(158,069)
Transfers in		
Transfers out		
Net increase(decrease) in net assets	\$ 31,070	\$ (158,069)

* Enter expenses as a negative amount

The Louisiana State Board of Cosmetology's total revenues increased by \$130,603 or 7.2%. The total cost of all programs and services decreased by \$58,536 or 3.0%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year ended June 30, 2012, the Louisiana State Board of Cosmetology had \$226,978 invested in a broad range of capital assets, including land, building, and machinery and equipment (see accompanying table). This amount represents a net decrease) (including additions and deductions) of \$7,377, or 3.2%, over last year.

There were no major additions in the year ended June 30, 2012.

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•
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**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012**

	2012	2011
Land	\$ 165,000	\$ 165,000
Buildings and improvements	61,978	69,356
Equipment		
Infrastructure		
Intangible Assets		
Totals \$	<u>226,978</u>	<u>\$ 234,356</u>

Debt

The Louisiana State Board of Cosmetology had no bonds or notes outstanding at June 30, 2012, or 2011, as shown in the accompanying table.

Outstanding Debt at Year-end (in thousands)		
	2012	2011
General Obligation Bonds	\$ -	\$ -
Revenue Bonds and Notes		
Totals \$	<u>-</u>	<u>\$ -</u>

New debt resulted from _____. The _____ (BTA)'s bond rating continues to carry the _____ rating for general obligation bonds, and _____ rating for other debt.

The Louisiana State Board of Cosmetology had no claims and judgments outstanding at June 30, 2012, or 2011. Other obligations include accrued vacation pay and sick leave.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Revenues were approximately \$362,000 over budget and expenditures were approximately \$230,000 less than budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Louisiana State Board of Cosmetology's elected and appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees:

- The overall economic health of the State and economic forecasts.
- License renewal rates and student enrollment numbers in school.

**STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2012**

- Expenses of staff and equipment replacement.

The Louisiana State Board of Cosmetology does expect the income and expense levels to remain static over the next year.

The Board's workload is heavy primarily because the number of board hearings are high due to unlicensed operators continuing to try to operate in the State and testing demands are high with extra test dates being necessary to accommodate the volume.

The Board anticipates some repair costs to be incurred on its office building during the coming year.

CONTACTING THE LOUISIANA STATE BOARD OF COSMETOLGY'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Louisiana State Board of Cosmetology's finances and to show the Louisiana State Board of Cosmetology's accountability for the money it receives. If you have questions about this report or need additional financial information, contact board office at 225-756-3404.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
BALANCE SHEET
AS OF JUNE 30, 2012

Statement A

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,916,079
Restricted Cash and Cash Equivalents	
Investments	
Derivative instrument	
Deferred outflow of resources	
Receivables (net of allowance for doubtful accounts)(Note U)	200
Due from other funds (Note Y)	
Due from federal government	
Inventories	
Prepayments	
Notes receivable	
Other current assets	
Total current assets	1,916,279

NONCURRENT ASSETS:

Restricted assets (Note F):	
Cash	
Investments	
Receivables	
Investments	
Notes receivable	
Capital assets, net of depreciation (Note D)	
Land and non-depreciable easements	165,000
Buildings and improvements	61,978
Machinery and equipment	
Infrastructure	
Intangible assets	
Construction/Development-in-progress	
Other noncurrent assets	
Total noncurrent assets	226,978
Total assets	\$ 2,143,257

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accruals (Note V)	\$ 109,139
Derivative instrument	
Deferred inflow of resources	
Due to other funds (Note Y)	
Due to federal government	
Deferred revenues	
Amounts held in custody for others	
Other current liabilities	
Current portion of long-term liabilities: (Note K)	
Contracts payable	
Compensated absences payable	
Capital lease obligations	
Claims and litigation payable	
Notes payable	
Pollution remediation obligation	
Bonds payable (include unamortized costs)	
Other long-term liabilities	
Total current liabilities	109,139

NONCURRENT LIABILITIES: (Note K)

Contracts payable	
Compensated absences payable	82,676
Capital lease obligations	
Claims and litigation payable	
Notes payable	
Pollution remediation obligation	
Bonds payable (include unamortized costs)	
OPEB payable	993,991
Other long-term liabilities	
Total noncurrent liabilities	1,076,667
Total liabilities	1,185,806

NET ASSETS

Invested in capital assets, net of related debt	
Restricted for:	
Capital projects	
Debt Service	
Unemployment compensation	
Other specific purposes	
Unrestricted	957,451
Total net assets	957,451
Total liabilities and net assets	\$ 2,143,257

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA	Statement B
LOUISIANA STATE BOARD OF COSMETOLOGY	
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS	
FOR THE YEAR ENDED JUNE 30, 2012	

OPERATING REVENUE	
Sales of commodities and services	\$
Assessments	258,744
Use of money and property	
Licenses, permits, and fees	1,698,486
Other	
Total operating revenues	1,957,230
OPERATING EXPENSES	
Cost of sales and services	
Administrative	1,918,783
Depreciation	7,377
Amortization	
Total operating expenses	1,926,160
Operating income(loss)	31,070
NON-OPERATING REVENUES (EXPENSES)	
State appropriations	
Intergovernmental revenues(expenses)	
Taxes	
Use of money and property	
Gain on disposal of fixed assets	
Loss on disposal of fixed assets	
Federal grants	
Interest expense	
Other revenue	
Other expense	
Total non-operating revenues(expenses)	-
Income(loss) before contributions, extraordinary items, & transfers	31,070
Capital contributions	
Extraordinary item - Loss on impairment of capital assets	
Transfers in	
Transfers out	
Change in net assets	31,070
Total net assets – beginning	926,381
Total net assets – ending	\$ 957,451

The accompanying notes are an integral part of this financial statement.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Statement C

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
				Net (Expense) Revenue and Changes in Net Assets
Entity	\$ 1,926,160	\$ 1,957,230	\$	\$ 31,070
General revenues:				
Taxes				
State appropriations				
Grants and contributions not restricted to specific programs				
Interest				
Miscellaneous				
Special items				
Extraordinary item - Loss on impairment of capital assets				
Transfers				
Total general revenues, special items, and transfers				-
Change in net assets				31,070
Net assets - beginning as restated				926,381
Net assets - ending				\$ 957,451

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
(continued)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

Statement D

Cash flows from operating activities	
Cash receipts from customers	\$ 1,957,080
Cash receipts from interfund services provided	
Other operating cash receipts, if any	
Cash payments to suppliers for goods or services	(568,762)
Cash payments to employees for services	(1,247,726)
Cash payments for interfund services used, including payments "In Lieu of Taxes"	
Other operating cash payments, if any	
Net cash provided(used) by operating activities	140,592
Cash flows from non-capital financing activities	
State appropriations	
Federal receipts	
Federal disbursements	
Proceeds from sale of bonds	
Principal paid on bonds	
Interest paid on bond maturities	
Proceeds from issuance of notes payable	
Principal paid on notes payable	
Interest paid on notes payable	
Operating grants received	
Transfers in	
Transfers out	
Other	
Net cash provided(used) by non-capital financing activities	-
Cash flows from capital and related financing activities	
Proceeds from sale of bonds	
Principal paid on bonds	
Interest paid on bond maturities	
Proceeds from issuance of notes payable	
Principal paid on notes payable	
Interest paid on notes payable	
Acquisition/construction of capital assets	
Proceeds from sale of capital assets	
Capital contributions	
Other	
Net cash provided(used) by capital and related financing activities	-
Cash flows from investing activities	
Purchases of investment securities	
Proceeds from sale of investment securities	
Interest and dividends earned on investment securities	
Net cash provided(used) by investing activities	-
Net increase(decrease) in cash and cash equivalents	140,592
Cash and cash equivalents at beginning of year	1,775,487
Cash and cash equivalents at end of year	\$ 1,916,079

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
(concluded)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

Statement D

Reconciliation of operating income(loss) to net cash provided(used) by operating activities:

Operating income(loss)		\$ 31,070
Adjustments to reconcile operating income(loss) to net cash provided(used) by operating activities:		
Depreciation/amortization	7,377	
Provision for uncollectible accounts		
Other		
Changes in assets and liabilities:		
(Increase)decrease in accounts receivable, net	(200)	
(Increase)decrease in due from other funds		
(Increase)decrease in prepayments		
(Increase)decrease in inventories		
(Increase)decrease in other assets		
Increase(decrease) in accounts payable and accruals	30,083	
Increase(decrease) in compensated absences payable	63	
Increase(decrease) in due to other funds		
Increase(decrease) in deferred revenues		
Increase(decrease) in OPEB payable	72,198	
Increase(decrease) in other liabilities		
Net cash provided(used) by operating activities		\$ 140,591

Schedule of noncash investing, capital, and financing activities:

Borrowing under capital lease(s)	\$	
Contributions of fixed assets		
Purchases of equipment on account		
Asset trade-ins		
Other (specify)		
Total noncash investing, capital, and financing activities:	\$	-

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
Notes to the Financial Statement
As of and for the year ended June 30, 2012

INTRODUCTION

The Louisiana State Board of Cosmetology was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 37:751. The following is a brief description of the operations of the Louisiana State Board of Cosmetology and includes the parish/parishes in which the Louisiana State Board of Cosmetology is located:

The Louisiana State Board of Cosmetology regulates, controls and monitors members of the Cosmetology industry to maintain public health and welfare standards for the consumer public; insures that individuals receiving licenses meet the educational requirements established by the State of Louisiana; and that licensed professionals maintain the highest standards while providing services to the public.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of the Louisiana State Board of Cosmetology present information only as to the transactions of the programs of the Louisiana State Board of Cosmetology as authorized by Louisiana statutes and administrative regulations.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Louisiana State Board of Cosmetology are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
Notes to the Financial Statement
As of and for the year ended June 30, 2012

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. BUDGETARY ACCOUNTING

The appropriations made for the operations of the various programs of the Louisiana State Board of Cosmetology are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Committee on the Budget, a committee of the Louisiana Legislature. Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements includes the original appropriation plus subsequent amendments as follows:

	<u>APPROPRIATIONS</u>
Original approved budget	\$ 1,595,000
Amendments:	<div style="border-bottom: 1px solid black; height: 1.2em; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 1.2em; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 1.2em; margin-bottom: 2px;"></div> <div style="border-bottom: 1px solid black; height: 1.2em;"></div>
Final approved budget	\$ 1,595,000

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (If all agency cash and investments are deposited in the State Treasury, disregard Note C.) See Memo 13-01, Appendix A, for information related to Note C.

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the Louisiana State Board of Cosmetology may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the (BTA) may invest in time certificates of deposit in any bank domiciled or having a branch office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
Notes to the Financial Statement
As of and for the year ended June 30, 2012

banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows and balance sheet presentation, all highly liquid investments (including negotiable CDs and restricted cash and cash equivalents) and deposits (including nonnegotiable CDs and restricted cash and cash equivalents) with a maturity of three months or less when purchased are considered to be cash equivalents.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are required to be held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer.

GASB Statement 40, which amended GASB Statement 3, eliminated the requirement to disclose all deposits by three categories of risk. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

The deposits at June 30, 2012, consisted of the following:

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
Notes to the Financial Statement
As of and for the year ended June 30, 2012

	<u>Cash</u>	<u>Nonnegotiable Certificates of Deposit</u>	<u>Other (Describe)</u>	<u>Total</u>
Deposits per Balance Sheet (Reconciled bank balance)	\$ <u>1,916,079</u>	\$ <u> </u>	\$ <u> </u>	\$ <u>1,916,079</u>
Deposits in bank accounts per bank	\$ <u>1,943,121</u>	\$ <u> </u>	\$ <u> </u>	\$ <u>1,943,121</u>
Bank balances exposed to custodial credit risk:	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>
a. Uninsured and uncollateralized	<u> </u>	<u> </u>	<u> </u>	<u> </u>
b. Uninsured and collateralized with securities held by the pledging institution	<u> </u>	<u> </u>	<u> </u>	<u> </u>
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTE: The "Deposits in bank accounts per bank" will not necessarily equal the "Deposits per Balance Sheet" due to outstanding items.

The following is a breakdown by banking institution, program, and amount of the "Deposits in bank accounts per bank" balances shown above:

<u>Banking Institution</u>	<u>Program</u>	<u>Amount</u>
1. <u>JPMorgan Chase Bank</u>	<u>General Fund</u>	\$ <u>1,943,121</u>
2. <u> </u>	<u> </u>	<u> </u>
3. <u> </u>	<u> </u>	<u> </u>
4. <u> </u>	<u> </u>	<u> </u>
Total		\$ <u>1,943,121</u>

Cash in State Treasury and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the balance sheet to amounts reported in this note, list below any cash in treasury and petty cash that are included on the balance sheet.

Cash in State Treasury	\$ <u>0</u>
Petty cash	\$ <u>0</u>

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
Notes to the Financial Statement
As of and for the year ended June 30, 2012

2. INVESTMENTS

The Louisiana State Board of Cosmetology does not maintain investment accounts as authorized by the State of Louisiana.

Custodial Credit Risk

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured, not registered in the name of the entity, and are either held by the counterparty or held by the counterparty's trust department or agent, but not in the entity's name. Repurchase agreements are not subject to credit risk if the securities underlying the repurchase agreement are exempt from credit risk disclosure. Using the following table, list each type of investment disclosing the total carrying amounts and market values, and any amounts exposed to custodial credit risk.

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose all investments by three categories of risk. GASB Statement 40 requires only the separate disclosure of investments that are considered to be exposed to custodial credit risk. Those investments exposed to custodial credit risk are reported by type in one of two separate columns depending upon whether they are held by a counterparty, or held by a counterparty's trust department or agent not in the entity's name. In addition, the total reported amount and fair value columns still must be reported for total investments regardless of exposure to custodial credit risk.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
Notes to the Financial Statement
As of and for the year ended June 30, 2012

2. INVESTMENTS

The Board does not maintain investment accounts as authorized by La. R.S. 33:2955.

**3. CREDIT RISK, INTEREST RATE RISK, CONCENTRATION OF CREDIT RISK,
AND FOREIGN CURRENCY RISK DISCLOSURES**

N/A

4. DERIVATIVES (GASB 53)

N/A

5. POLICIES

N/A

6. OTHER DISCLOSURES REQUIRED FOR INVESTMENTS

N/A

D. CAPITAL ASSETS – INCLUDING CAPITAL LEASE ASSETS

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the balance sheet of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight line method over the useful lives of the assets.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
Notes to the Financial Statement
As of and for the year ended June 30, 2012

Schedule of Capital Assets (includes capital leases)

<u>Agency</u>	Balance 6/30/2011	Prior Period Adjustments	Restated Balance 6/30/2011	Additions	* Reclassifi- cation of CIP	** Retirements	Balance 6/30/2012
Capital assets not depreciated:							
Land	\$ 165,000	\$ -	\$ 165,000	\$ -	\$ -	\$ -	\$ 165,000
Non-depreciable land improvements	-	-	-	-	-	-	-
Non-depreciable easements	-	-	-	-	-	-	-
Capitalized collections	-	-	-	-	-	-	-
Software - development in progress	-	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	-
Total capital assets not depreciated	\$ 165,000	\$ -	\$ 165,000	\$ -	\$ -	\$ -	\$ 165,000
Other capital assets:							
Depreciable land improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
** Accumulated depreciation	-	-	-	-	-	-	-
Total land improvements	-	-	-	-	-	-	-
Buildings	163,149	-	163,149	-	-	-	163,149
** Accumulated depreciation	(93,793)	-	(93,793)	(7,378)	-	-	(101,171)
Total buildings	69,356	-	69,356	(7,378)	-	-	61,978
Machinery & equipment	58,997	-	58,997	-	-	-	58,997
** Accumulated depreciation	(58,997)	-	(58,997)	-	-	-	(58,997)
Total machinery & equipment	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-
** Accumulated depreciation	-	-	-	-	-	-	-
Total infrastructure	-	-	-	-	-	-	-
Software (internally generated & purchased)	-	-	-	-	-	-	-
Other intangibles	-	-	-	-	-	-	-
** Accumulated amortization - software	-	-	-	-	-	-	-
** Accumulated amortization - other intangibles	-	-	-	-	-	-	-
Total intangibles	-	-	-	-	-	-	-
Total other capital assets	\$ 69,356	\$ -	\$ 69,356	\$ (7,378)	\$ -	\$ -	\$ 61,978
Capital asset summary:							
Capital assets not depreciated	\$ 165,000	\$ -	\$ 165,000	\$ -	\$ -	\$ -	\$ 165,000
Other capital assets, book value	222,146	-	222,146	-	-	-	222,146
Total cost of capital assets	387,146	-	387,146	-	-	-	387,146
Accumulated depreciation/amortization	(152,790)	-	(152,790)	(7,378)	-	-	(160,168)
Capital assets, net	\$ 234,356	\$ -	\$ 234,356	\$ (7,378)	\$ -	\$ -	\$ 226,978

* Should only be used for those completed projects coming out of construction-in-progress to capital assets.

** Enter a negative number except for accumulated depreciation in the retirement column

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
Notes to the Financial Statement
As of and for the year ended June 30, 2012

E. INVENTORIES

N/A

F. RESTRICTED ASSETS

N/A

G. LEAVE

1. COMPENSATED ABSENCES

The Louisiana State Board of Cosmetology has the following policy on annual and sick leave:

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the fund when leave is actually taken; it is recognized in the enterprise funds when the leave is earned. The cost of leave privileges applicable to general government operations not requiring current resources is recorded in long-term obligations.

2. COMPENSATORY LEAVE

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned (K-time). Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employees' hourly rate of pay at termination or transfer. There was no accrual for compensatory leave reported in the accompanying financial statements.

H. RETIREMENT SYSTEM

Substantially all of the employees of the Board are members of the Louisiana State Employees Retirement System (LASERS), a single employer defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
Notes to the Financial Statement
As of and for the year ended June 30, 2012

All full-time Board employees are eligible to participate in the System unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Certain elected officials and officials appointed by the governor may, at their option, become members of LASERS. Normal benefits vest with 10 years of service. Generally, retirement age employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service except for members eligible to begin participation in the Defined Benefit Plan (DBP) on or after July 1, 2006. Act 75 of the 2005 Regular Session changes retirement eligibility and final average compensation for members who are members is limited to age 60, or thereafter, upon attainment of ten years of creditable service. Final average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment.

Vested employees eligible to begin participation in the DBP before July 1, 2006, are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, these vested employees have the option of reduced benefits at any age with 20 years of service. Those hired on or after July 1, 2006 have only a single age option. They cannot retire until age 60 with a minimum of 10 years of service. The System also provides death and disability benefits and deferred benefit options, with qualifications and amounts defined by statute. Benefits are established or amended by state statute. The System issues a publicly available annual financial report that includes financial statements and required supplementary information for the System. For a full description of the LASERS defined benefit plan, please refer to the LASERS 2008 Financial Statements, specifically, footnotes A – Plan Description and C – Contributions. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000. The footnotes to the Financial Statements contain additional details and are also available on-line at http://lasers.websit gadget.com/uploads/LASERS_2010_CAFR.pdf

Members are required by state statute to contribute with the single largest group ("regular members") contributing 7.5% of gross salary, and the Board is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2012, increased to 25.6% of annual covered payroll. The Board contributions to the System for the years ending June 30, 2012, 2011, and 2010, were \$198,281, \$172,268 and \$133,515, respectively, equal to the required contributions for each year.

I. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses accounting and financial reporting for OPEB trust and agency funds of the employer. GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* establishes standards of accounting and financial reporting for OPEB expense/expenditures and related OPEB liabilities or OPEB assets, note disclosures, and required supplementary information (RSI) in the financial reports of governmental employers. See the GASB Statement No. 45 note disclosures requirements in section 2 of this note.

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
Notes to the Financial Statement
As of and for the year ended June 30, 2012

1. Calculation of Net OPEB Obligation

	Annual OPEB expense and net OPEB Obligation	6/30/212
Fiscal year ending		
1. * ARC		139,800
2. * Interest on NOO (4%)		36,868
3. * ARC adjustment		(35,200)
4. * Annual OPEB Expense (1. + 2. - 3.)		141,468
5. Contributions (employer pmts. to OGB for retirees' cost of 2011 insurance premiums)		(69,270)
6. Increase in Net OPEB Obligation (4. - 5.)		72,198
7. *NOO, beginning of year (see actuarial valuation report on OSRAP's website)		921,792
8. **NOO, end of year (6. + 7.)		993,991

J. LEASES

1. OPERATING LEASES

The Board had no operating leases.

2. CAPITAL LEASES

Capital leases are not recognized in the accompanying financial statements.

3. LESSOR DIRECT FINANCING LEASES

N/A

4. LESSOR – OPERATING LEASE

N/A

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
Notes to the Financial Statement
As of and for the year ended June 30, 2012

K. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2012:

	Year ended June 30, 2012			Balance June 30, 2012	Amounts due within one year
	Balance June 30, 2011	Additions	Reductions		
Notes and bonds payable:					
Notes payable	\$	\$	\$	\$ -	\$
Bonds payable				-	
Total notes and bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other liabilities:					
Contracts payable				-	
Compensated absences payable	82,613	63	-	82,676	
Capital lease obligations					
Claims and litigation					
Pollution remediation obligation					
OPEB payable	921,792	72,198		993,991	
Other long-term liabilities				-	
Total other liabilities	<u>1,004,405</u>	<u>72,261</u>	<u>-</u>	<u>1,076,667</u>	<u>-</u>
Total long-term liabilities	<u>\$ 1,004,405</u>	<u>\$ 72,261</u>	<u>\$ -</u>	<u>\$ 1,076,667</u>	<u>\$ -</u>

L. CONTINGENT LIABILITIES

N/A

M. RELATED PARTY TRANSACTIONS

N/A

N. ACCOUNTING CHANGES

N/A

O. IN-KIND CONTRIBUTIONS

N/A

P. DEFEASED ISSUES

N/A

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
Notes to the Financial Statement
As of and for the year ended June 30, 2012

Q. REVENUES – PLEDGED OR SOLD (GASB 48)

N/A

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)

N/A

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

N/A

T. SHORT-TERM DEBT

N/A

U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2012, were as follows:

Fund	Customer Receivables	Taxes	Receivables from other Governments	Other Receivables	Total Receivables
General Fund	\$ 200	\$ 6,326	\$	\$	\$ 6,526
					-
Gross receivables	\$ 200	\$	\$ -	\$ -	\$ 200
Less allowance for uncollectible accounts					
Receivables, net	\$ 200	\$	\$	\$	\$ 200

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2012, were as follows:

Fund	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
General Fund	\$ 39,614	\$ 108,749	\$	\$	\$ 148,363
					-
Total payables	\$ 39,614	\$ 108,749	\$ -	\$ -	\$ 148,363

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
Notes to the Financial Statement
As of and for the year ended June 30, 2012

W. SUBSEQUENT EVENTS

N/A

X. SEGMENT INFORMATION

N/A

Y. DUE TO/DUE FROM AND TRANSFERS

N/A

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

N/A

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS

The following adjustments were made to restate beginning net assets for June 30, 2012.

Ending net assets 6/30/11 as reported to OSRAP on PY AFR	*Adjustments to ending net assets 6/30/11 (after AFR was submitted to OSRAP) + or (-)	Restatements (Adjustments to beg. Balance 7/1/11) + or (-)	Beg net assets @ 7/1/11 as restated
\$ 926,431	\$ (50)	\$	\$ 926,381
			-
			-
			-
			-

The Board voided checks written in prior years that totaled \$50.

BB. NET ASSETS RESTRICTED BY ENABLING LEGISLATION (GASB 46)

N/A

CC. IMPAIRMENT OF CAPITAL ASSETS & INSURANCE RECOVERIES

N/A

DD. EMPLOYEE TERMINATION BENEFITS

N/A

STATE OF LOUISIANA
LOUISIANA STATE BOARD OF COSMETOLOGY
Notes to the Financial Statement
As of and for the year ended June 30, 2012

EE. POLLUTION REMEDIATION OBLIGATIONS

N/A

FF. AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

N/A

GG. RESTRICTED NET ASSETS – OTHER SPECIFIC PURPOSES

N/A

Name		Amount
Vivian L. Glaze	\$	2,588
Taquilla Hamilton		9,450
Michael Horing		9,355
Geneva Jones		2,136
Sarah Kennison		1,471
Carolyn Robicheaux		5,300
Ira Weber		1,690
Total	\$	31,990

SCHEDULE 1

COMPARISON FIGURES

	<u>2012</u>	<u>2011</u>	<u>Difference</u>	<u>Percentage Change</u>
1) Revenues	\$ <u>1,957,230</u>	\$ <u>1,826,627</u>	\$ <u>130,553</u>	
Expenses	<u>1,926,160</u>	<u>1,984,696</u>	<u>(58,536)</u>	
2) Capital assets		-	-	
Long-term debt	<u>-</u>		<u>-</u>	
Net Assets	<u>957,451</u>	<u>926,381</u>	<u>31,070</u>	
Explanation for change:				